JKLC:SECTL:SE:24
2nd August 2024

1 **BSE Ltd.**
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Security Code No. 500380
Through: BSE Listing Centre

2 **National Stock Exchange of India Ltd.**
"Exchange Plaza"
Bandra - Kurla Complex
Bandra (East)
Mumbai – 400 051
Symbol: JKLAKSHMI, Series: EQ
Through: NEAPS

Dear Sir/ Madam,

Re: Conference Call organized by PhillipCapital (India) Pvt. Ltd. on 1st August 2024 at 5:30 P.M. IST

In continuation of our letter dated 26th July 2024 on the above subject, we have to inform you that recording of the said Conference Call can be accessed by using the below mentioned Audio Link and the Recording ID:

URL: https://ccreservations.com/recordings/select_recordings.php
Recording ID: MFG0220240801153972

Thanking you and assuring you our best co-operation at all times.

Yours faithfully,
For JK Lakshmi Cement Limited
AMIT CHAURASIA
Digitally signed by AMIT CHAURASIA
Date: 2024.08.02 13:06:44 +05'30'
(Amit Chaurasia)
Company Secretary

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Dear Sir/ Madam,

Re: Conference Call organized by PhillipCapital (India) Pvt. Ltd. on 1st August 2024 at 5:30 P.M. IST

In continuation of our letters dated 26th July 2024 and 2nd August 2024 on the above subject, attached herewith the transcript/minutes of the aforesaid conference call. This is for your information and record.

Thanking you and assuring you our best co-operation at all times.

Yours faithfully,
For JK Lakshmi Cement Limited
AMIT CHAURASIA
Digitally signed by AMIT CHAURASIA
Date: 2024.08.02 17:36:01 +05'30'
(Amit Chaurasia)
Company Secretary

Encl.: a.a.

"JK Lakshmi Cement Limited Q1 FY25 Earnings Conference Call"

August 1, 2024

MANAGEMENT:	**MR. ARUN KUMAR SHUKLA – PRESIDENT AND DIRECTOR, JK LAKSHMI CEMENT LIMITED**
	MR. SUDHIR BIDKAR – CHIEF FINANCIAL OFFICER, JK LAKSHMI CEMENT LIMITED
MODERATOR:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the JK Lakshmi Cement Q1 FY25 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Vaibhav Agarwal: Thank you, Darwin. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY25 Call of JK Lakshmi Cement.

I need to highlight that JK Lakshmi Cement is also the holding Company of its listed entity, Udaipur Cement Works Limited, and therefore this call is also open for discussion about the performance of Udaipur Cement Works Limited.

On the call, we have with us Mr. Arun Kumar Shukla – President and Director; and Mr. Sudhir Bidkar – CFO at JK Lakshmi Cement.

I would like to mention on behalf of JK Lakshmi Cement and its Management that certain statements that may be made or discussed on this Conference Call may be forward-looking statements related to future developments and which are based on current expectations. These statements are subject to a number of risks, uncertainties, and other important factors, which may cause actual developments and results to differ materially from statements made. JK Lakshmi Cement Limited and the Management of the Company assumes no obligation to publicly alter or update the statements whether as a result of new information or future events or otherwise.

I will now hand over the floor to the Management of JK Lakshmi Cement for their "Opening Remarks", which will be followed by interactive Q&A. Thank you, and over to you, sir.

Management: Yes. Good evening to all of you and welcome to this Conference Call post our Quarter 1 result. Before we go to question and answer, I will just give you a brief glimpse because a lot of data is there with you and you may have a lot of questions, so I will allocate more time for questions and answers than kind of giving a commentary.

So, last quarter, as an organization, I think we are satisfied with the way market has behaved in terms of demand and pricing. JK Lakshmi Group has done reasonably well. You must have seen that the trend which has emerged so far is lower realization and operating deleverage which has impacted profitability for all the companies. Same goes with us as well.

I would like to give you some glimpse or the highlights of the organization:

Volume-wise, we are almost flat and the reason being that some of the markets where we operate post Holi and followed by this longer layoff during this election that has impacted some of the geographies where we are there. And those geographies are dependent on the migrant laborers.

While we have done quite well in the East, but in the West and North where dependency is more on migrant laborers, things have impacted in construction sites and hence our volume. In terms of pricing, I think pricing was under pressure because you must have observed, we are witnessing the price level which is the lowest in the last three years' time, right? So, that has impacted us as well and hence our realization has gone down. What we have done quite well is, of course, I think being very focused on some of the performance levers, which we have been focusing for the last couple of years, of course, on geo mix and then supply chain efficiency, then using digital to drive efficiency in our supply chain and value chain, working on renewable energy, non-fossil fuel uses and things like that.

We have been continuously focusing on that and that has resulted into a significant improvement on those parameters. For instance, AFR if you take, AFR in case of JK Lakshmi Cement, it was close to 12% last quarter, which is much higher than last year average of 7%. In terms of renewable energy, last quarter we have closed at about 48%, which is much higher than the exit overall average of last year which was 39%.

We have done quite well in lead also, lead has gone down by 12km, 384km was the average for last year, we have achieved 372km Quarter 1 of this year. So, there also I think things have turned out to be well. In terms of premiumization, our premium product was at 30%, close to 30%, which is a good moment and that has impacted our bottom line to an extent.

These are the highlights which I would say is there at our end to kind of let you know. I will now give time to all of you to ask questions because you may have questions on lot of things, the recent development which we have proposed in our recently concluded Board meeting that is a merger of UCWL and JK Lakshmi Cement.

I will leave it to you and now we are open for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Gautam Rajesh from EverFlow Partners. Please go ahead.

Gautam Rajesh: Yes, sir. So, I have 2 questions. My first question was, can you talk a little bit more about our limestone reserves that we put up our plants in north? And how many years of reserves do we have there and when do they come up for renewal?

Management: Yes. So, at Sirohi, our renewal is in the year 2030 and the residual reserve is for about 15 to 20 years now with us. At Udaipur, we have a requisite reserve for another 40 to 50 years and just to let you know, we have recently got lease of adjacent mines and that is also going to further our life of limestone at that location for at least another 10 years. So, this is what is there already operating. In terms of you know future programs, you must be knowing that we have already acquired limestone lease right at Nagaur, and there also I think if you are going to put up, let's say around 5 to 7 million ton plants, so that is going to last for at least 45 to 50 years. So, we have got requisite limestone reserves with us to continue our operation for at least 35 to 50 years depending upon the phasing of the different extension plants which we have.

Gautam Rajesh: And my next question was, how much time would it take for us to ramp up the volume for the Udaipur Cement expansion and achieve, let's say optimal or high utilization and volume growth?

Management: So, unfortunately, because of general election during Quarter 1, that impacted overall demand. You know that because you know industry has not grown the way it was expected and in fact, because of this Quarter 1 subdued demand, overall forecast for the demand for this year also has down revised. But yes, nevertheless our plan holds and still we stick to that that at least 60% utilization we'll achieve by end of the year of our line 2. And overall maybe around 70% to 75% that is what our plan is, around 75% for both the lines put together.

Gautam Rajesh: 60% by end of FY25 and 75% at peak utilization, am I right?

Management: Yes, yes.

Moderator: The next question comes from Nigel from Leo Capital. Please go ahead.

Nigel: My first question was about, how do our current profit margins in the east region compare versus the ones we have in the north and west? Is there like a substantial difference in profits as of now?

Management: Yes, so there is a difference. East, we are doing well. Last quarter, if you look at our EBITDA is at least Rs. 200 higher than north and west, right? And if you look at industry, I think we have done better than industry in terms of really driving all those priorities which we have. So, being very focused on the market, which are nearby to our plants, that has resulted into a better margin in East than North in last quarter.

Nigel: And also, I wanted to know if you could talk about the thought process behind this expansion in the East given the high capacity being set up by competition in the region. How much do you think also we have the railway sidings and split grinding units? So, how much can those add to the profitability in the East on a per ton basis?

Management: Yes. So, I will just pick up from your last question. So, I told you that East has done well than north and western operations last quarter. And during peak period last year also, we struggled to cater to the demand which our customers has with us, right? So, that really prompted us 2 things. One, I think we were short of capacity during peak period, one. And second also the top line strategy and the distribution strategy which we have in this and profit margin almost kind of near to north, we thought of expanding. And further this kind of gets accentuated from the fact that now, we have railway sidings also within our premises.

So, some of the market where we are unable to go now, we can go from those markets, that plant, right? So, these are the 3 reasons. One, of course, I think we had lack of capacity to cater to the demand during peak period and peak period means at least six months of the year, one. Second the strategy which we have for top line, which is kind of optimizing our distribution in the area where profitability is more. And third, now, we have avenue to reach out to the market where we were not going. So, these are the 3 things which really prompted us to kind of go for expansion.

Moderator: We have the next question from Aman Agarwal of Equirus Securities. Please go ahead. Hi sir.

Aman Agarwal: First question was on the realization fund. So, for J.K. Lakshmi, if we see, sequential drop in realization appear a bit higher than for broader industry. Just wanted to understand, has this got something to do with increased clinker sale from the new Udaipur capacity?

Management: No, I think I would not say that. Maybe I think prices were under pressure, you know that. And some of the market, our realization went down drastically because of the distribution cost because we cannot leave market during the period when prices are down because we have a strategy where we pursue that strategy of being in the market forever wherever we are and wherever we have chosen to be, right? So, that is one. Second also, little bit increased in clinker sale as well. That has also impacted our lower realization. For 2 reasons maybe distribution mix to an extent because some of the markets becomes, I would say, not favorable and second lower realization of clinker.

Aman Agarwal: And sir, on the merger proposition itself, if you can just quantify in terms of savings that you are directly expecting on this proposed merger?

Management: It is difficult to quantify the exact quantity of the savings which would emerge of post-merger because some synergical benefits which we were already driving. But more importantly that merger will help to make a stronger balance sheet with all the capacities consolidated into a single entity. And cash flow also in a single entity will help us to grow faster organic or inorganic. But there will certainly be some add-ons in terms of savings in the fixed cost, economies of scale through common procurement, additional common procurement, some logistic alignment, time to reach the market faster, benefiting the customer. All these benefits would increase as they are already in the pre-merger regime. But it's difficult to quantify that, put a number there too.

Aman Agarwal: And sir, 1Q already going a bit subdued for the industry, what's the demand expectation for FY25 for the industry and for the Company as well?

Management: Industry, we see that earlier the forecast was 7%-8% of demand this year FY25 for the industry. Now this has been down revised to 6-7% and we feel that we are going to do better than this at least by a percentage or 2. So, that is what we expect. So, we are going to do better than industry for sure.

Aman Agarwal: And sir, lastly just a couple of data points. If you can provide with the net debt numbers on consol basis as on June 24 and second on the non-cement revenues for 1Q.

Management: On a standalone basis, the gross debt on a standalone was about Rs. 700 crores and about Rs. 375 crores of cash. So, that leaves a net debt of Rs. 325 crores. That is on a standalone basis. And as far as on a consol level is concerned about Rs. 2,050 crores of gross debt and Rs. 400 crores of cash mean Rs. 1,650 of net debt. That is as far as the gross and net debt on standalone and consol basis are concerned. And as regards your other question on the non-cement revenue, it is about Rs. 132 crores for this quarter, almost flattish or the same as it was in the corresponding quarter last year.

Aman Agarwal: And what could be the EBITDA margin on this? Is it still maintained at somewhere around 5%?

Management: Yes, 4% in this quarter, slightly subdued which was the same as in the corresponding quarter last year.

Moderator: The next question is from Amit Murarka of Axis Capital. Please go ahead.

Amit Murarka: I wanted to understand the realization a bit better. So, I see that the Q-o-Q drop in realization is much higher than industry. I think it's close to about 6%. I understand pricing was down 2% to 3%. So, what is the reason for the higher decline? I mean, is it because the traded volumes are lower? Is it something like that?

Management: So, as I told you, little more clinker sales. So, because of that, that is reason number one. Second, some of the geographies, price drop was more and where our reliance is a little bit on higher side. For instance, West. West, prices were lower, much lower than other geographies, right? And third, I think in some of the other market, other than West also, competitors were quite aggressive. So, there are also prices went down a little more than our core market. So, these are the reasons why our realization is lower than average of the industry last quarter.

Amit Murarka: Could you share the split between the cement and clinker volume in the quarter?

Management: Yes, we can. So, in this quarter, our total sales were 23.26 lakh tons, out of which 21.68 tons was the cement sale and 1.58 tons was the clinker sale.

Amit Murarka: And the same number last year?

Management: Corresponding quarter, same number were 23.7 lakh tons for cement, 1.61 lakh tons for clinker, total 25.31 lakh tons.

Amit Murarka: So, versus Q4, it was higher, you mean the clinker volume?

Management: Yes, clinker volume is higher.

Management: Marginally, only. Sequentially in the fourth quarter of last financial year, it was 1.48 lakh tons. It's marginally gone up to 1.58 lakh tons. You are right.

Management: But percentage wise, if you see, I think it's more. And that is why the impact is more on revenue.

Amit Murarka: But still, also is it like something like the dealer discounts are adjusted in the quarter? Is there some of that factor as well?

Management: No, I think we don't do that, and we don't have that this year.

Amit Murarka: And on cost per se, like is there any cost reduction target that you are working on or what are the initiatives that you are working on to get it down?

Management: On cost, I'll divide that into 3 parts. One, of course, I think in the manufacturing, our major focus is on 2 things. One, renewable energy, and second on AFR, right? So, that we keep on doing, right? We are trying to find a venue for putting more solar power so that we can reduce our power cost. So, we are working on that. And once that gets kind of finalized or we roll it out, we'll let you know. And second, also on AFR. AFR first phase, we have already commissioned at Sirohi. And we have already reached to 14%, I told you. And the ramp-up was quite fast. And there also, I think we are planning to go for now second phase. That is going to take our AFR proportion to 17%-18%. And in Durg, we have already reached about 10%. We'll try to take it to another percentage or 2. So, these are the things which we are working on there. Third thing, in manufacturing, we are using technology now to optimize our pyro-process. So, that project we have taken. It's very difficult to quantify how much saving we are going to have from this project. But definitely, I think we'll have some saving from there as well. So, this is from manufacturing part of it. And of course, I think product mix and other things, that is part of top line. So, that is being separately driven.

On top line part of it, again, I think our strategy is very clear. We are not changing. So, selling more in the area which is more remunerative. Working more on premiumization, right? And of course, blended cement proportion. And third part is supply chain. Supply chain, I told you that we have improved quite a bit. Lead has gone down by 12 kilometers if you compare this from the average of last year of 384 to 372. But we believe that still there is a scope and we are working on that itself, right? So, these are the areas where we are working on cost reduction, okay. And I'll not say the drastic cost reduction is going to happen. But I think all those things are going to put together definitely Rs. 50 to Rs. 75 higher.

Amit Murarka: And lastly, a bit of a qualitative question. Like, we are seeing an intense fight for market share that is going on across regions with larger players wanting to grow even bigger. And we are in fact seeing pricing drop in some of the markets to like unheard levels in the last 10 years. So, in this kind of a situation, like given that you still sell cement, maybe Rs. 20 rupees lower or more than the larger guys in some of the markets, how are you being able to compete or what's your strategy? Are you still trying to compete in such regions or pockets where there is really intense competition, or you are choosing to maybe let go of certain volumes in some of such markets?

Management: So, if you really look at it, our distribution strategy has been quite consistent for the last couple of years. So, we choose our market that where we need to be, and we are there, and we are going to be there. Now our strategy is not going to change much. We are going to reinforce in the market where we are already a relevant player. For let's say Rajasthan. In Rajasthan, we have an installed capacity of 10 million tons, right? So, we are quite a relevant player. Even some big players also, I think we are not far behind. Similarly, if you go to East and somebody asks this question, we are going to consolidate our position in East also. I told you that during peak time, we do not have cement to give to our customers, right? So, our strategy is going to be focused and undifferentiated, right? And we are not going to scatter ourselves everywhere. So, in North also, if you look at, we have a grinding station in Haryana. We are going to sell in and around that area, right? In Gujarat, I think we have got 2 plants. We are a prominent player out there. And if you look at our strategy also, I told you that somebody asked about our lime reserve and resource capability, right? So, we have already acquired limestone lease in Nagar in Rajasthan, right? So, that is our core market and where further we are going to consolidate ourselves. Similarly, in Kutch, Gujarat also we have got limestone rights, right? So, Gujarat, we are already there, and we are going to further consolidate. In East, I told you, we have announced and last time also we told you that we are going to put up 4.6 million tons in Eastern part of India. Again, our strategy is to consolidate our position.

So, we are not venturing into new market. First, we want to consolidate, make ourselves relevant. And then maybe I think we will look for opportunity when things are conducive, and we will go to other markets. So, I think that strategy is consistent and all those actions, whether it is brownfield or greenfield, is consistent with our overall strategy of being a prominent and relevant player in the market where we operate.

Amit Murarka: Because this quarter itself, if I see your volume has dropped, I mean when others have actually grown volumes, I was also thinking in that context.

Management: We definitely don't want to really dilute our price positioning. That’s very, very important because we look for an opportunity for us to reduce the gap with the leaders, right? So, to an extent, I think that is also our strategy because during this time, when everybody is dropping prices and trying to push volume which is perhaps not there in the market, our strategy is little different that how we can really bridge that gap up and improve our positioning. So, I think it is a kind of balance we play, right, and that we keep doing going forward even. Because that is a long-term kind of incentive which we’ll have.

Moderator: We have the next question from the line of Raghav Malik from Jefferies. Please go ahead.

Raghav Malik: I just wanted to follow up on the pricing question actually. In July so far, could you give us any color on how region-wise pricing is looking across Northeast and West?

Management: So, prices have slid further in the month of July and this pattern is across. I would not say that any region is less dropped in terms of prices. But I think all regions are consistently behaving and that is being driven by the fact that demand is low and of course, I think players are aggressive to take pie of that. So, there, I would say conduct is same across market. This is not a kind of selective market which is there. So, it is across. Prices have even further gone down in the month of July.

Raghav Malik: Would it be possible to quantify maybe at least on a pan-India basis what the drop is and if possible region-wise?

Management: Region-wise would be difficult, but my sense is at least prices have gone down by Rs. 5 to Rs. 7 in different markets.

Raghav Malik: Rs. 5 to Rs. 7 rupees. Okay, sir. And my next question is on CAPEX. So, what has been our spend so far and are we still on track to do Rs. 1,200 crores like we discussed last quarter, for FY25?

Management: Yes. Basically, we are working in this year on 2-3 major projects. One is the grinding at split location, grinding unit at Surat which is going to cost us about Rs. 220 crores and then also on the railway siding which is costing us about Rs. 325 crores. Apart from these two projects, we have also announced the brownfield expansion at Durg involving a CAPEX of Rs. 2,500 crores over the next 3 years. So, as far as actual CAPEX is concerned in the first quarter of the current financial year, we have done about Rs. 90 crores. And going forward, we expect another Rs. 800 crores to Rs. 900 crores in the remaining 3 quarters. That is FY25.

Moderator: We have the next question from the line of Aman Agarwal from Equirus Securities. Please go ahead.

Aman Agarwal: Sir, just a request. If you can provide the seal breakup between cement and clinker on a consol basis as well? You have already provided on the standalone basis.

Management: You want also on a?

Aman Agarwal: Consol basis, sir.

Management: Consol basis, we have done a total sale of 30.37 lakh tons out of which 27.89 lakh tons is the consol cement number and 2.48 lakh tons is consol clinker. That is in the current quarter. Corresponding quarter, it was 30.36 lakh tons total, 28.31 lakh tons cement and 2.05 lakh tons clinker.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Hi sir, actually many data points are needed. First to start with just to correct, sir, you mentioned that in terms of the CAPEX we have done Rs. 90 crores. So, this is on the consol basis and Rs.

800 crores to Rs. 900 crores on consol basis that we are looking at for 9 months. So, broadly around Rs. 1,000 odd crores we are looking at, at consol level in FY25, because last time we spoke about around close to Rs. 1,700 odd crores.

Management: The number which I gave in response to the previous question was on a standalone basis, not on a consol basis.

Shravan Shah: So, at consol level how much we have spent in first quarter and for full year last time you said Rs. 1,700 crores. So, that number remains intact?

Management: Yes. In the first quarter in J.K. Lakshmi as I mentioned about Rs. 90 crores, another Rs. 70 crore, Rs. 80 crores got spent in Udaipur, that makes it around Rs. 150 crores to Rs. 160 crores on a consol basis in the first quarter. And going forward anywhere between Rs. 1,500 crores to Rs. 1,650 crores would be spent on consol basis in the current financial year, which broadly remains the same as I mentioned in the last call.

Shravan Shah: And for FY26 broadly and FY27 last time, we spoke around Rs. 1,300 to Rs. 1,400 crore and in FY27 around Rs. 1,200 odd crores. So, that also number remains the same?

Management: That remains the same, barring any spill over, that's all.

Shravan Shah: Second sir, still further harping on the pricing front, so if I broadly look at this quarter realization for us, if I compare with the last full year, FY24 is close to 9.5% down and further as we are saying that prices are Rs. 5, Rs. 7, Rs. 10 are lower. So, whatever the benefit we have kind of gained through the geo mix, optimization, everything, do we think that most of that has been kind of gone? Because if we broadly look at whatever the current price trend and unless we see a price improvement in the second half, on Y-o-Y basis for us at consol level, a significant drop in terms of the realization will be there, 8%-9%, so would be significant versus the industry. And that would be the major in terms of the impacting the profitability.

Management: So, your question is Shravan, is what I think, then therefore what you are asking? Yes, that's what it is, but your question is what then?

Shravan Shah: So, my question was, I was trying to understand in last 2 years, whatever price increase we were able to gain because of our distribution strategy, geo mix, has that got impacted or it is only in general price decline and that's what we are also facing the same issue?

Management: I think this is general market trend and price which I see, right? So, that is what is there and second quarter definitely once demand goes up, prices are going to go up, right? So, that happens. If you remember last year, even April-June was very good, but July-September was better, right? Demand also supported in those months. So, typically, last year, July-September was better than the traditional month. So, this year I think, April-June was not good in other way. Maybe I think once demand improves a bit, prices will inch up and we'll be back to that original one, right? So, what we are witnessing is the normal trend in the market. Nothing specific to us only because we do compare ourselves with our competitors in the market where we operate. And if I compare our Company with other competitors or even leaders in that particular market where we operate, I think we are just in alignment with them. So, the trend, which was there, either increase or decrease, that impacts them, that is impacting us as well. So, there is nothing specific to us only.

Shravan Shah: Sir, couple of data points in terms of at consol level, trade non-trade share, premium share, I think you have mentioned 25% blending ratio, CC ratio for this quarter.

Management: Yes, I'll tell you. So, blended proportion was 65% on a consol basis and standalone 64%. Trade overall is 54%-55%. Premium product I told you, right, lead I told you 372 kilometers. What else do you want? Any other thing you want?

Shravan Shah: CC ratio, sir.

Management: 64% blended, right?

Shravan Shah: I was talking about the cement to clinker ratio, which was I think 1.46 last quarter.

Management: Cement to clinker ratio is in our case is 1.45.

And in terms of the timeline for all the ongoing plus expansions, whatever we have spoken in the last con call, that remains the same or is there any change, anything coming up early or is there any delay?

Management: Broadly, as of now, the timeline remains the same.

Shravan Shah: And in the presentation, sir, just wanted to clarify, we have highlighted that the Northeast will be coming up by 1.5 MTPA by FY26. Because last con call, we said that it will be coming by end of FY27.

Management: Come again, please. Sorry, we missed it.

Shravan Shah: In Northeast, the Company that we have acquired, where 1.5 MTPA to come up, last time, we said it will come up by March '27 or April '27. But in presentation, we are showing as part of FY26 capacity addition.

Management: So, it will spill over to the next financial year. There is some time being taken for that. You are right.

Shravan Shah: And sir, the RMC revenue was how much in this quarter?

Management: Out of the total non-cement revenue of about Rs. 132 crores, RMC was about Rs. 72 crores.

Shravan Shah: And in terms of the broadly, to reach a 30 MTPA by '30-'33, we are mentioning in there. So, broadly, if you look at in terms of the kind of a CAPEX on an average, would be a Rs. 1,300 crores, Rs. 1400 crore will continue till FY '30. Will it not be kind of concerning us in terms of the net debt going up? So, any idea in terms of how we look at a consol net debt? Is there any ballpark that we will not try to breach that? And if it's that, then maybe we can delay the expansion plans.

Management: In between when you are going in series of expansion, obviously, there are years when you would see our debt to EBITDA level crossing a certain norm. And only because of the fact that the debt gets contracted earlier and the commensurate EBITDA flows a year or a couple of years later. But once you factor the corresponding EBITDA, those will always be in line with the norms which we are. So, it is incorrect to see on an isolation only at the year-end that EBITDA level, either add corresponding EBITDA or reduce the debt for which the EBITDA is not yet there in the books. In spite of these all expansion, which are going to happen over the next 5, 6 years, we don't see our debt to EBITDA crossing anywhere between 3 to 3.5 and a net debt to EBITDA about 2 to 2.25.

Moderator: The next question is from Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar: My question pertains to first, again, on the realization front, if I look at sequentially, on standalone basis, your realization is down Rs. 200 per ton and on consol basis, it is down by almost Rs. 300 per ton. So, obviously, this is to do with ramp up in Udaipur or the nature of sales mix in Udaipur? The concern is that this realization is almost more than 2-year low. If this is a normal realization level, so will this keep our margins subdued in subsequent quarters?

Management: So, in case of Udaipur, clinker was little more because we had some mismatch in terms of clinker capacity and grinding capacity because clinker we commissioned in the month of October 2023, and the grinding was there in March 2024, right? So, there was a gap and hence, clinker sale was more and that is why you see more reduction in realization at Udaipur than J. K. Lakshmi, right? So, that is the reason. And this is the most temporary phenomenon.

Rajesh Kumar: So, what was the clinker sale on consol level in Q4?

Management: On consol level in Q4, it was 2.32 lakh tons, and which has increased to 2.48 lakh tons in Quarter 1, current quarter, April-June.

Rajesh Kumar: So, 2.32 lakh tons on a base of say 32.62 lakh tons and on a lower base sequentially, it has further increased. Okay, so partly to explain with this. But what else would have gone for such weaker realizations? It is just the clinker or is there anything like a geographical mix changed dramatically in this quarter versus Q4 and hence such a major fall in realization? Because Q2, you are saying that there would be further pressure on realization. So, I'll be looking at a case where this Rs. 730 may come down to below Rs. 600 in Q2 and thereafter even in Q3 and Q4 to go back to 900,000, you would require pricing support of as high as Rs. 300, Rs. 400 per ton.

Management: Yes. So, I think this is the most temporary phenomenon. There is no change in geo mix as I repeat. If you look at the lead, lead is lower than average of last year and as good as quarter 4. Quarter4 was also at 372 kilometers. So, there is no change in geo mix. In the distribution which we do from Udaipur remains same. There is no change. The only thing is more clinker and at a lower realization that is what has impacted realization at Udaipur.

Rajesh Kumar: So, what is the exit margin you are looking at EBITDA per ton for FY25 and in that what sort of price increase you are building in in Q3?

Management: I think this is going to be speculative. So, I think as of now I would not really comment on this. Because anything you forecast during lean months, then I think your forecast is going to be on other side of it. And if somebody forecasts in the peak month, then again, you are going to forecast in the other side of it. So, we'll let you know. I think how this train goes, we'll come back to you. But as of now, it's very difficult to really forecast something which I'm not reasonably sure about.

Rajesh Kumar: No issue, sir. On this Northeast expansion, you mentioned that it will spill over to FY27. So, what are the timeline you are guiding for this Northeast project? Is it early FY27 this project would be up and running? And if so, what is the current status on the project?

Management: So, Northeast you are talking about, right?

Rajesh Kumar: Yes, Northeast project, sir.

Management: So, Northeast we are moving as pe the plan. So, the first and foremost thing is, of course, land acquisition for plant. Though we do have one lease deed already signed for one of the mines, right? We are now almost concluding this land acquisition for the plant, one. Second is, we are also applying for now environment clearance for the plant. And all these processes takes time, because it goes to MOEF and we have to follow the processes before, like public hearing and things like that. So, all those activities are happening. Once those approvals are in place, then we are not going to take more than 14 to 16 months to put up the plant. So, this was expected. Initially taking approvals and putting action at the ground level takes some time. So, that is a normal one. But we are well on track. So, whatever we have committed, we'll achieve that task.

Rajesh Kumar: So, just again, by when do you expect, like 2-year time for getting all the approvals in place?

Management: What we believe that, we are in July, so by end of this year, we are going to have approvals in place. And somewhere quarter 4 of this year, we'll start the civil work.

Moderator: We have Parth Bhavsar from Investec with the next question. Please go ahead.

Parth Bhavsar: Sir, my first question is, can you help me with the fuel consumption costs on Kcal basis for the quarter?

Management: Last quarter, it was 1.63 at JKLC level.

Parth Bhavsar: And what was this, sir, last quarter?

Management: Last quarter, it was 1.68.

Parth Bhavsar: And sir, where do we see this going, like, in the coming quarter? Is there like any room for improvement?

Management: Around that only, around that 1.63 to 1.65, this level.

Parth Bhavsar: Sir, my next 2 questions are related to the restructuring that we are undertaking with Udaipur Cement Works. So, I believe we'll give shares to the minority interest in Udaipur. And so, can you help me with the number of shares that will be issued? Because as per my calculation, according to swap ratio, promoter's stake gets diluted to 43.9%. And what the presentation that we've given out is, it says it will be like 45.12. So, what am I missing over here? If you could help me out with the number of shares you'll be issuing.

Management: There, we would be issuing additional number of shares. We have mentioned in our investors presentation which we have uploaded on the website.

Parth Bhavsar: So, the ratio is 100 is to 4, right, 4 is to 100?

Management: The swap ratio is 4 shares for every 100 shares held in Udaipur. And the post-merger promoter's holding is likely to be about 45.12%.

Parth Bhavsar: And sir, the other question is like, so 4 shares of JK Lakshmi would be issued for 100 shares of UCW, right?

Management: Right.

Parth Bhavsar: So, the value, like the surrender value for UCW comes to around Rs. 4,400 on current market price. And JK Lakshmi's value comes down to around Rs. 3,500. So, isn't like it's a little unfair to the minority of UCW? What's your take on that?

Management: No, their valuation has in any case been done by independent valuer. And what is important is while UCWL has just commissioned the project, so full benefit of that expansion will come in subsequent years. Whereas in case of JK Lakshmi, it's a matured capacity. Only additional investment which has been factored is the Surat expansion, which is there and likely to come in the current year, which is less than 10% of the total existing operating fully matured capacity. Whereas in case of Udaipur, it is almost more than 50% capacity has just plugged in, which has not yet fully been realized. So, the valuation also takes into account the fact that JK Lakshmi also holds a major portion, almost 71 odd percent in UCWL. So, that is not fully reflective in the present market price of JK Lakshmi. So, it is wrong to say that it is unfair to the minority shareholders of UCWL. In any case, the parent's holding in this merger gets cancelled out. So, whatever shares are being issued is being issued only to the non-JK Lakshmi shareholders only.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Firstly, if you could explain why our PBT numbers are lower, or the EBITDA numbers are lower on consol when comparable with standalone?

Management: Standalone, sorry, come again. Can you repeat your question?

Saket Kapoor: Sir, when you look at our standalone results, the EBITDA number is Rs. 277 crores. When we look at the consolidated, it is lower by Rs. 35 crores to Rs. 235 crores. So, on consolidation, why is that? We are making losses on the same, if you could just explain firstly.

Management: Just a second. On a consol basis, it is Rs. 235 crores, you said, no?

Saket Kapoor: Yes. We have 2 set of results, the standalone and the consol numbers.

Management: Yes, I'll explain that. You see, if you were to exclude and see it before the other income, right, before the other income, if you exclude from JK Lakshmi standalone, you will see that JK Lakshmi standalone EBITDA without other income is Rs. 185 crores, right? And UCWL standalone without other income is Rs. 39 crores. So, that adds up to Rs. 222 crores. But with the other income, because other income, a major portion, almost Rs. 80 crores is emanating from a sale of some stake in this quarter of Udaipur, which JK Lakshmi did. So, when you consol that, within the Company, you can't have the inter-unit profit on the sale of the inter-unit holding. So, that's why it got eliminated. That's why with other income, you are finding that anomaly, which has been eliminated in the consol numbers, Rs. 277 crores on a standalone, including other income, Rs. 40 crores for UCWL. But the moment you eliminate the inter-unit sale on profit, which is to be rightly done as per accounting standards, obviously it comes down. So, you see that number before other income, you will get the answer yourself.

Saket Kapoor: Yes, I got the answer. But you mentioned about Rs. 40 crores sale from Udaipur. What is the sale pertaining to?

Management: Sorry.

Saket Kapoor: What is the nature of this other income? You mentioned Rs. 40 crores sales from Udaipur.

Management: For some inter-promoter transfer, which took place of some holding during the quarter.

Saket Kapoor: Udaipur Cement?

Management: Market transaction.

Saket Kapoor: And sir, can you give me the CWIP number, the current capital work in progress for 31st March '24? And also, for the June quarter?

Management: That is head of the various CAPEX which we've incurred, that is all going till the time these are capitalized. Whatever CAPEX we are incurring is all going into CWIP. Nothing has been commissioned post-March. So, the initial Rs. 90 crores for JK Lakshmi and Rs. 70 crores for UCWL, that has all gone into CWIP without there being any capitalization. So, whatever numbers are in public domain as of March balance sheet which is in public domain and uploaded on the website, you have to add that as the CWIP as of 30 June.

Saket Kapoor: And lastly, sir, regarding the investor presentation and the operational performance, if we could just enrich our investor presentation, I think so the basic questions which we investor community has been asking during the calls that these can be very well articulated in the investor presentation. What we found in the presentation was that these basic numbers or the question which we are asking can very easily be answered through presentation. So, I want that if we can work with a revamped investor presentation with these all-basic numbers, that would have really helped us in spending more time in this discussion, sir.

Management: Investor presentation, we don't update on a quarterly basis. We do on an annual basis generally, number 1. Number 2, we give a detailed press release in which all these numbers which some of the callers have been asking what is the sales volume, what is that, is all given debt number, debt to EBITDA number, debt to equity numbers are all given in our press release quarter after quarter. So, together with the investor presentation, which is there, if we can see the press release, also most of the questions get answered therein. But your suggestion is good, we'll dwell upon it.

Saket Kapoor: And last point, if I may, sir. Taking into account all the CAPEX that we are doing in the different geographies in the country, what are we eyeing in terms of capacity 2, 3 years down the line from the current consolidated capacity, sir, if you could just give the color on the same?

Management: We are today sitting on a capacity of 16.5 million tons together with Udaipur, and then immediately we have 1.4 million tons of Surat coming in, so that takes up to 18 million tons. Then another 4.5 million tons coming in 3 years' time for the brownfield expansion in 2 phases, that takes us to 22.5 million tons. And another 2.5 million coming from Northeast makes it almost 25 million tons. And thereafter, we have in the offing the Nagaur expansion greenfield as well as Kutch together with the possibility of adding another line in Udaipur.

Saket Kapoor: So, these 25 million tons, what is the extended timeline we can expect to reach from the existing 16.5 million tons? If you could give me phase-wise.

Management: Come again.

Saket Kapoor: Sir, if you could give me phase wise for every year, what will be our closing capacity, sir? Say 16.5 million tons was the consol number for last year, 1.4 million tons we added, we are closer to 18 million tons for this year. So, what would be the next year number? And up till to 25, by what time we will be reaching 25 million?

Management: As I mentioned, we are sitting at 16.5 million tons, I'll repeat for your benefit, we will be adding Surat in FY25, it will be 18. Thereafter, we can have immediately the Durg Line Phase 1 coming in, which will be maybe by FY27, in between that. And then another 2 million coming in for the expansion at Jharkhand and Bihar, that can come in. In between the Northeast, 1.5 can also come in. So, all this would come starting from FY27 onwards. Every year, broadly, you can take about 2 lakh tons to 2.5 lakh tons capacity gets added.

Moderator: The next question is from the line of Gautam Rajesh from EverFlow Partners. Please go ahead.

Gautam Rajesh: So, just for a follow-up question, you said, in Udaipur, your ideal capacity utilization would be 75%. So, by when can we expect that ideal utilization to be achieved by the Company?

Management: FY26, quarter 4, I think we'll achieve that.

Gautam Rajesh: So, end of 2026?

Management: Yes.

Gautam Rajesh: Okay, sir.

Management: So, this is the first year, in fact, just a couple of months back only we have commissioned that project. So, I think this year we'll reach on an average about close to, let's say, 55%-60%, what we mentioned, reaching peak to about 70%-75%. And then next year on, I think we'll have this.

Gautam Rajesh: Next year onward, we'll reach that 75% if I'm right.

Management: Right.

Gautam Rajesh: 75?

Management: Yes.

Moderator: Ladies and gentlemen, due to time constraints, we will now take the last question, which is from the line of Tushar, an individual investor. Please go ahead.

Tushar: Thank you for taking my question. My question is, what is the status of conveyor belt and the plant?

Management: So, we are still awaiting approvals. That is in the final stages. And we are expected to get that maybe in another couple of months' time. That we are waiting. You know that this approval from authorities takes a lot of time because of decision-making process which they have, right? We are just waiting. I think that is in the final stages of approval.

Moderator: Thank you. I would now like to hand the conference over to Mr. Vaibhav Agarwal for closing comments. Over to you, sir.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited, we'd like to thank the management of JK Lakshmi Cement for the call and many thanks to the participants for joining the call. Darwin, you may now close the call. Thank you, sir.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.